



interim
statement
2001

fidessa trading platform

The world's leading front office trading solution for the US, European and Asian equity markets.

◆ Financial Calendar

30 July 2001	Interim results announcement
1 October 2001	Interim dividend payment
February 2002	2001 annual results announcement

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results at a glance

For the six months ended 30th June 2001

- ◆ royalblue now purely focused on world-leading **fidessa** business for global equities trading

- ◆ Orders for **fidessa** and related services up 100% on same period last year

- ◆ Revenues associated with **fidessa** increased 68% to £25.2 million

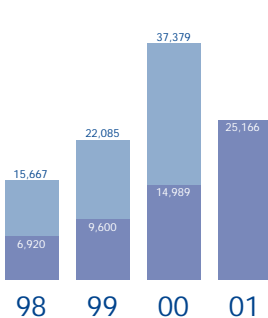
- ◆ Operating Profits from fidessa up 113% to £3.2 million

- ◆ Cash balance increases to £11.1 million

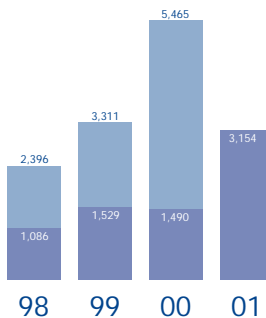
- ◆ \$25 million Merrill Lynch order for global rollout of **fidessa** signed in May

- ◆ Positive outlook for second half of 2001

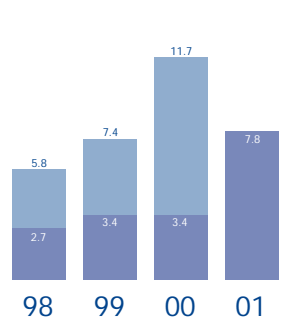
Revenue*
£000



Operating profit*
£000



Earnings
per share*
pence



* Continuing operations only.

■ interim ■ final

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Financial Summary

In the six months to 30th June 2001, turnover from continuing operations grew to £25.2 million, an increase of 68% from £15.0 million for the same period last year. Overseas revenues increased by 114% to £12.4 million compared to £5.8 million last year and now account for 49% of the total continuing revenues.

Operating profit from continuing operations grew 113% to £3.2 million with an operating margin of 12.5% generating diluted earnings per share up 129% at 7.8p from 3.4p. Product development expenditure on **fidessa** was £2.2 million, being 8.7% of turnover, all of which is fully expensed. The business continues successfully to generate cash and at 30th June 2001 the cash balance had increased to £11.1 million compared to £10.3 million at 31st December 2000.

Divestment of royalblue technologies

The Extraordinary General Meeting on 16th July 2001 approved the divestment of royalblue's **HelpDesk** and **rostrvm** businesses to a management buyout company. Details of this transaction were circulated to shareholders on 27th June 2001.

Employees

Following the divestment of royalblue technologies, the number of employees within the Group is now 470. Staff numbers in royalblue financial have increased by 35% since the year end. As ever, the Board extends its sincere thanks to all employees for their high quality contribution to the company's success.

Board Changes

The following Board changes became effective following the Extraordinary General Meeting on 16th July and reflect the Group's strategic focus on its **fidessa** business.

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John Hamer, previously Group Chief Executive Officer, became Executive Chairman of **royalblue**, with responsibility for the strategic direction of the Group, corporate development and investor relations. Chris Aspinwall, previously Chief Executive of **royalblue** financial, became Chief Executive of **royalblue**, with responsibility for the operational development of the business worldwide. Andy Malpass, Finance Director of **royalblue**, continues in his role, and will provide more focus on the cross-border financial functions within the business as it increases in size and complexity.

Colin Amies stepped down from his previous position as non-executive Chairman and became the Senior Independent non-executive Director. On behalf of all shareholders, the Board extends its thanks to Colin for his valuable contribution since he became Chairman prior to **royalblue**'s flotation in 1997, and looks forward to his continuing involvement in the business.

Operations

royalblue financial

Summary

During the first half of 2001 we have continued to see a strong performance across the business. The principal highlights for the first half were:

- ◆ Revenue up by 68% from the same period last year to £25.2 million.
- ◆ Operating profit up 113% to £3.2 million.
- ◆ Largest ever single order signed with Merrill Lynch for a global trading platform worth \$25 million.
- ◆ Four orders signed for **fidessaNet** including two in the US.
- ◆ Substantial orders signed for **fidessa** implementations in mainland Europe.

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- ◆ Orders signed for nearly £18 million of recurring revenue items (enterprise software rental, **fidessaNet** and support).
- ◆ Total order value for the first half of 2001 exceeds total order value for the whole of 2000.

Despite the pressure being faced by some of our customers in the equity market, order levels have remained strong as we focus our value proposition on helping our customers to remain competitive in difficult market conditions. This is being achieved across all of our three main business areas. For enterprise systems the cost benefit of enterprise rental with user and transaction based pricing can provide substantial savings over expensive one off licences or internal developments. Our **fidessaNet** connectivity service provides a cost effective means of accessing the large number of liquidity points required in today's market whilst the buy-side connections we now offer reduce the cost of handling order flow from large institutional customers. For smaller customers **fidessaNet** now has additional configurations utilising less expensive hardware to handle reduced transaction volumes at lower cost. Overall we believe that our commitment to provide the most comprehensive range of business process applications available for equities trading, coupled with our customers' long term commitment to the equities market will continue to place **royalblue** in a strong position despite the downturn now affecting many firms in our sector.

Summary of Markets

Throughout the first half of 2001 the equities markets have continued to change. In Europe, competition amongst the different exchanges has remained intense as each seeks to become the dominant liquidity provider. The strongest exchanges, London (SETS), Frankfurt (Xetra) and the Paris/Brussels/Amsterdam alliance (Euronext), have been joined by Nasdaq (through Nasdaq Europe following its acquisition of Easdaq)

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and the large wholesalers from the US, whilst the Swiss exchange has completed its merger with Tradepoint to form Virt-X. In the UK, the London Stock Exchange completed a major upgrade to its SETS service with the implementation of the order book for Seaq International, changes to the opening auction and the move to a central counterparty. Further changes are planned by most of the European exchanges over the next 12 months.

In the US, the competition between exchanges and Electronic Communication Networks (ECNs) continues and we have recently seen the first launch of an ECN equivalent for the listed market. The Nasdaq market introduced decimalization (the trading of stocks in decimals rather than in 16ths) and this combined with the limit order rules has had a substantial effect in reducing the spreads (the difference between the buy and sell prices quoted on the market) across all securities. This reduction in spreads has caused a major rethink to the way in which Nasdaq trading firms approach their business. We believe that the resulting changes in business strategy will further highlight the need for efficient automation of the business process making software such as fidessa even more essential.

In Japan, changes are continuing within the principal markets with the introduction of the new Jasdaq system during Q2. Nasdaq Japan is planning to implement a combined quote and order driven market early next year. This is being developed along precisely the same lines as Nasdaq's proposed US SuperMontage (which will provide a combined quote and order driven market) and may become a test run prior to the implementation of a similar model in the US. In the rest of Asia market changes have slowed slightly pending regulatory changes.

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Product Update

royalblue has continued to invest in the development of the **fidessa** products and the **fidessaNet** service. The product development team consists of over 100 staff worldwide. Development has continued across the whole product set with particular emphasis on broadening connectivity both to markets and buy-side firms as well as enhanced functionality and support for additional business flows. The development of links to buy-side firms has been a rapidly expanding area of business driven first from the US and spreading through to Europe and Asia. This is a cost and efficiency driven change that is now being dictated by the larger buy-side institutions. These links allow the institutions to submit and amend orders electronically and receive progress information in the same way. The links have implications for the internal business processes of the sell-side firms because each institution will dictate how it wants different types of orders handled and how the contractual responsibility for different types of electronic order is worked. Some of the product developments carried out include:

- ◆ LSE SETS V4 including International Order Book, International Retail Service and the LSE update for Central Counterparty.
- ◆ Development of Euronext gateway for Paris and Brussels.
- ◆ Development of the new Virt-X gateway and the Helsinki gateway.
- ◆ Gateway updates for Stockholm and Zurich.
- ◆ Gateway updates for Xetra 6 affecting Frankfurt, Ireland and Vienna and the Xetra update for Block Crossing Support.
- ◆ Expanded support for buy-side connectivity with links to 12 buy-side firms in place over Autex and direct FIX connections and support for new business flows required to manage the increasing volume of automatically entered buy-side orders.
- ◆ Extension of the **fidessaNet** connectivity service to provide managed connectivity for SETS, Xetra, Euronext, Virt-X, Zurich and Milan.

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- ◆ Support for global sales trading with ability to manage orders anywhere in the world from a single workstation.
- ◆ In the US full support for the new SuperSOES including extended support for quote reserve management.
- ◆ Full support for US decimalization including the major performance improvements necessary to support extra order volume.
- ◆ Development of functionality to allow anonymous waves & quotes via selected ECN, Direct ECN access avoiding SelectNet and repeating waves allowing automatic wave generation based on market movements.
- ◆ Development of ASTRA (Active Stock Trader Assistant) functionality – to support passive/automated market-making in a greater number of securities.
- ◆ In Asia development of AMMA has continued with extensions for Hong Kong and the development of the Singapore order management Interface.
- ◆ Development has also completed for Korea and Taiwan with both access methods to the Taiwan market supported together with the market data interface.
- ◆ In Japan the Japanese Market Interface System JMIS is being extended to support more direct market connectivity to the main markets TSE, OSE, JASDAQ, NASDAQ Japan etc.
- ◆ CTAC has been developed to accommodate the Japanese allocation mechanisms, which are substantially different from those encountered elsewhere in the world.

Implementation Update

In Europe, new **fidessa** implementations are live or due to go live shortly in Paris, Belgium, Amsterdam, Frankfurt and Dusseldorf supporting business flows on Euronext and Xetra. These systems, once live, will provide a springboard for the development of further business in mainland Europe. Work is continuing on implementations in London extending the connectivity and supporting additional business flows. Focus in the UK

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has been directed at the changes resulting from a major upgrade to the LSE's SETS system and extending buy-side connectivity to support more institutional connections. Supporting the additional connections also involves support for the business practices of the connecting institutions, for example ensuring that if required, a sales trader can take responsibility and confirm orders and amendments even where the order has been electronically entered by the institution.

In the US, two further **fidessaNet** sites have gone live supporting OTC business flows and a further site is scheduled to go live later this year. This brings the total number of **fidessaNet** trading positions worldwide to over 170. A number of enterprise systems are also being implemented and the first phase has been completed of two large enterprise systems. The first system provides links to Nasdaq, NYSE, Instinet and a number of ECNs to support trading in ADRs. This system also uses the **fidessa** ROMA (Remote Order Management) product which is an Internet based application allowing correspondent users to enter orders directly into OMAR. The second system addresses an increase in demand for electronic connectivity, both internal and external and **fidessa** is being used within an existing infrastructure to provide flexible and robust order routing capability. Orders are received electronically into **fidessa** from a number of sources and are then routed, based on quantity, to in-house order management systems, NYSE, or ECNs for execution.

In Asia, we now have 5 enterprise systems live in Hong Kong supporting flows across multiple Asian markets and in Japan have 3 live systems supporting the Japanese flow. Further implementations are currently in progress and a number of additional systems are expected to go live by the end of the year.

Largest Order to Date

As announced on 14th May, royalblue entered into a global agreement with Merrill Lynch who will use royalblue's **fidessa** product suite for trading equities globally in

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Europe, Asia and the US. The deal is worth \$25 million (£17.5 million) and this revenue is expected to be realised over a period of four years.

Under the global agreement **royalblue** will supply Merrill Lynch with **fidessa** software and consultancy services to support Merrill Lynch's global trading requirements in the European, Japanese, Asia Pacific and US markets. Initially the software will support order management, trade management and market execution across approximately 20 different markets covering the principal liquidity points across the world.

Merrill Lynch and **royalblue** have also agreed to work closely to explore the possibility of using **royalblue**'s **fidessa** product to provide software to support Merrill Lynch's US market making requirements. If developed with **royalblue**, this business would provide **royalblue** with a unique opportunity to deliver a US market making system to support the largest player in the US domestic market. In recognition of this opportunity, **royalblue** agreed to grant Merrill Lynch options exercisable for 1,500,000 ordinary shares in **royalblue** conditional upon a definitive agreement between the two parties pursuant to which **royalblue** would supply a US domestic system to Merrill Lynch. These options would become exercisable over a period of three years and have an exercise price of 905p. The options would expire five years after their vesting dates.

Outlook

Although the markets are currently experiencing a difficult period we are continuing to enjoy a strong sales pipeline both for the enterprise and the **fidessaNet** business. Whilst we do not believe that we are immune from the effects of a long term downturn, we do believe that our focus on **fidessa** and **fidessaNet** as a cost effective way for trading firms to remain competitive in difficult market conditions will ensure that we can continue to win sound business. In particular we believe that Merrill Lynch's commitment to a global **fidessa** system, despite the market conditions, demonstrates

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the value that **fidessa** can add in improving the efficiency and the service that our customers are able to offer their customers. As trading firms are coming under increasing cost restraints, we are also seeing that the value of **fidessaNet**, both as a full service ASP and also as a way to provide centralised connectivity to both the exchanges and the buy-side firms, is increasingly being recognised as a cost efficient solution. In summary, we believe that the strong progress we have made in the first half of 2001 is a result of our long term commitment to a high quality and market-leading product and service, combined with our customers' long term commitment to the equity market. We look forward to working with all our customers to make further progress in the second half of 2001 and beyond.

Consolidated Profit and Loss Account

for the six months ended 30th June 2001

	Notes	2001 6 months to 30th June Unaudited £'000	2000 6 months to 30th June Unaudited £'000	2000 12 months to 31st Dec Audited £'000
Turnover				
Continuing operations	2	25,166	14,989	37,379
Discontinued operations	2	9,527	10,511	20,004
		34,693	25,500	57,383
Operating profit/(loss)				
Continuing operations		3,154	1,490	5,465
Discontinued operations		(1,302)	1,224	861
		1,852	2,714	6,326
Share of losses from interests in associated undertakings		-	(16)	(16)
Profit on ordinary activities before interest and taxation		1,852	2,698	6,310
Net interest receivable		173	339	608
Profit on ordinary activities before taxation		2,025	3,037	6,918
Taxation on profit on ordinary activities	3	(830)	(1,093)	(2,499)
Profit on ordinary activities after taxation		1,195	1,944	4,419
Dividends paid and proposed	4	(462)	(487)	(1,360)
Retained profits for the period		733	1,457	3,059
Earnings per share:	5			
Basic – continuing operations		8.7p	3.9p	13.3p
Diluted – continuing operations		7.8p	3.4p	11.7p
Basic – total operations		4.2p	6.9p	15.6p
Diluted – total operations		3.7p	6.0p	13.7p

Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 30th June 2001

	Notes	2001 6 months to 30th June £'000	2000 6 months to 30th June £'000	2000 12 months to 31st Dec £'000
Profit for period		1,195	1,944	4,419
Differences on exchange on re-translation of net assets of overseas undertaking		23	(64)	(84)
Total recognised gains and losses		1,218	1,880	4,335

Consolidated Balance Sheet

at 30th June 2001

	2001 30th June Unaudited £'000	2000 30th June Unaudited £'000	2000 31st Dec Audited £'000
Fixed assets			
Intangible fixed assets	550	557	546
Tangible fixed assets	7,856	5,598	7,690
Investments	49	49	49
Investment in own shares	2,360	2,584	2,439
	10,815	8,788	10,724
Current assets			
Debtors	22,741	16,589	18,850
Cash at bank and in hand	11,122	10,027	10,282
	33,863	26,616	29,132
Creditors: Amounts falling due within one year	(26,686)	(20,549)	(22,661)
Net current assets	7,177	6,067	6,471
Total assets less current liabilities	17,992	14,855	17,195
Creditors: Amounts falling due after more than one year	(3)	(38)	(15)
Net assets	17,989	14,817	17,180
Capital and reserves			
Called up share capital	3,020	2,974	3,013
Share premium account	8,702	5,792	8,342
Other reserves	309	309	309
Profit and loss account	5,958	5,742	5,516
Total equity shareholders' funds	17,989	14,817	17,180

Consolidated Cash Flow Statement

for the 6 months ended 30th June 2001

	2001 6 months to 30th June Unaudited £'000	2000 6 months to 30th June Unaudited £'000	2000 12 months to 31st Dec Audited £'000
Operating profit	1,852	2,714	6,310
Depreciation charge	1,652	915	2,321
Goodwill amortisation charge	15	14	30
Charge for share options granted at less than the market price	46	56	112
(Increase) in working capital	(203)	(3,411)	(4,103)
Other items	7	11	(43)
Net cash inflow from operating activities	3,369	299	4,627
Returns on investments and servicing of finance	173	339	608
Taxation paid	(417)	(841)	(2,076)
Capital expenditure and financial investments	(1,638)	(2,840)	(6,252)
Acquisitions	–	(82)	(82)
Equity dividends paid	(892)	(3,667)	(4,091)
Net cash inflow/(outflow) before financing	595	(6,792)	(7,266)
Management of liquid resources	500	5,862	9,812
Financing	86	8	711
Increase/(decrease) in cash	1,181	(922)	3,257

Notes to the Interim Statement

for the six months ended 30th June 2001

1 Basis of preparation

The interim financial statements are unaudited but have been reviewed by KPMG Audit Plc and their report is set out below. The interim statement has been prepared on the basis of the accounting policies as set out in the annual statements for the year ended 31st December 2000.

The financial information contained in this interim statement does not amount to statutory accounts within the meaning of section 240 Companies Act 1985. The figures for the year ended 31st December 2000 are extracted from the statutory accounts of royalblue group plc. The statutory accounts for that year have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) Companies Act 1985.

2 Analysis of turnover

Turnover is analysed by geographic destination as follows:

	United Kingdom £000's	USA & Canada £000's	Continental Europe £000's	Rest of World £000's	Total £000's
Continuing operations:					
6 months to 30 June 2001	12,777	7,179	1,204	4,006	25,166
6 months to 30 June 2000	9,236	4,036	482	1,235	14,989
12 months to 31 December 2000	21,095	11,425	533	4,326	37,379
Discontinued operations:					
6 months to 30 June 2001	7,480	1,652	395	–	9,527
6 months to 30 June 2000	8,083	1,389	1,039	–	10,511
12 months to 31 December 2000	15,783	2,537	1,647	37	20,004
Total operations:					
6 months to 30 June 2001	20,257	8,831	1,599	4,006	34,693
6 months to 30 June 2000	17,319	5,425	1,521	1,235	25,500
12 months to 31 December 2000	36,878	13,962	2,180	4,363	57,383

Notes to the Interim Statement

for the six months ended 30th June 2001

3 Taxation

The charge for taxation for the six months ended 30th June 2001 reflects the anticipated effective rate for the year. Certain tax losses in discontinued operations will not be available for offset against taxable profits in continuing operations for the year ending 31 December 2001 and are incorporated in the effective tax rate.

4 Dividend on ordinary shares

An interim dividend of 1.6p pence per share is declared and will be paid on 1st October 2001 to shareholders on the register on 31st August 2001.

5 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders divided by 28,777,649 ordinary shares (2000: 28,165,009 ordinary shares). The number of shares is based on the weighted average number of shares in issue during the period less the shares owned by the royalblue group plc Employee Benefit Trust. The number of shares in issue at 30th June 2001 was 30,203,020 (2000: 29,735,160).

The diluted earnings per share is based on 31,978,058 ordinary shares (2000: 32,239,666 ordinary shares). The diluted earnings per share have been calculated using an average share price of 916p (2000: 1577p).

6 Post balance sheet events

As announced on 27th June 2001 the Group proposed the divestment of the royalblue technologies business, details of which are set out in the circular to shareholders of that date. The shareholders approved the divestment at an Extraordinary General Meeting on 16th July 2001. Accordingly, an estimated exceptional net loss of £2.8 million (as advised in the circular) will be recorded in the year end financial statements.

7 Circulation to shareholders

Copies of this interim report will be sent to shareholders and copies will be available to the public at the Company's registered office, Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

Independent Review Report by KPMG Audit Plc to royalblue group plc

Introduction

We have been instructed by the company to review the financial information set out on pages 11 to 15 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2001.

KPMG Audit Plc
Chartered Accountants
Crawley

27th July 2001

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